

Nov 28, 2024

Three Take-Aways

- 1) US data broadly portrayed a resilient economy; but hints of soft spots arguably led yields lower.
- 2) Chinese equities buoyed by rumours that a key meeting was brought forward, raising expectations of imminent stimulus.
- 3) Philippines's Marcos-Duterte feud intensifying, adding pressure to an already weak PHP; USD/PHP could test 60 handle in coming weeks should USD strength persist.

MACRO THEME: Soft Spots Despite Resiliency

- A heavy data calendar day ahead of Thanksgiving holiday painted an overall resilient US economy, but some dots of softer growth meant that a December cut could sit still in-line of the narrative of a calibrated approach to cuts.

- Job markets remained resilient while 3Q GDP was unchanged. However, personal consumption was revised lower, while PMI disappointed. Meanwhile, orders of non-defence durable goods contracted, against expectations of a marginal increase, while real personal spending disappointing despite personal income growing more-than-expected.

- PCE Deflator - the Fed's preferred measure of underlying inflation, picked-up but was in-line with expectations.

- Odds of a 25bps cut in December increased slightly to 66% (from ~63%).

Yields (2Y: -2.8bp; 10Y: -4.3bp; 30Y: -4.4bp)

- The UST yield curve moved lower in a flattening move.

Equities (Nasdaq: -0.6%; S&P 500: -0.4%; Dow: -0.3%)

- US equities traded lower. IT counters led losses on disappointing earnings and FTC opening an antitrust investigation against Microsoft.

FX (DXY: -0.9%)

- The USD weakened against G10 currencies amid lower UST yields.

- JPY led gains, as odds of a December hike increased following PM Ishiba calling for bigger wage deals.

- NZD outperformed despite a 50bps by RBNZ, as the central bank lowered its rate forecast by less-than-expected. RBNZ saw cash rate at 3.55% by end-2025, down from 3.85% but above the 3.2% priced in by the market.

- EUR moved higher above mid-1.05, riding on upward momentum following ECB Schnabel's hawkish remarks. ECB Schnabel commented that she only saw limited room for further rate cuts, as she estimated neutral rate at 2-3%, and ECB "may not be so far" from it now given the deposit rate standing at 3.25%. She further warned against moving into accommodative territory, as she did not see a risk of recession at the moment and saw some evidence of a consumption-driven recovery.

- AUD was supported above mid-64 cents amid broad USD weakness backdrop. While CPI came in lower-than-expected, the trimmed mean which smooths out volatile items and is the RBA's focus, accelerated. The relatively subdued reaction could be on the back of RBA Bullock's recent comments that the monthly inflation gauge can be "quite volatile", doesn't capture all items and can be influenced by one-off or temporary factors (e.g. higher rental assistance, energy rebates).

- In line with trend, USD/SGD moved below mid-1.34 levels.

China: Rumours of Stimulus

- Chinese equities were buoyed (CSI300: +1.7%; Nasdaq Golden Dragon Index: +2.8%) amid rumours that the Central Economic Work Conference, typically held in mid-December, will start earlier than expected and set a higher-than-usual deficit target.

Philippines Politics: Unravelling Ties

- Tensions within the Marcos-Duterte alliance are reaching a boiling point. Specifically, Vice-President Sara Duterte threatened to assassinate President Marcos Jr. if she was killed, after months of roiling tensions between the two. Following Sara Duterte's threat, a subpoena was issued to her while her father, former President Rodrigo Duterte, commented that the "only" solution to the fracture in government was the "military", although he was careful not to explicitly call for a coup. These headlines looks to be a harbinger that the mid-term elections (due 12 May 2025) would be a messy affair as it evolves into a proxy war between two political dynasties.

- As children of former presidents, the (perhaps unlikely) Marcos-Duterte alliance was formed during the 2022 Presidential Elections. Their dynasties' solid bases in northern Luzon (Marcos) and Mindanao (Duterte) delivered the duo the top seats with an unprecedented majority vote.

- Despite running under the ticket "uniTeam", unity was however found wanting. Signs of infighting had always been lurking, with a congression inquiry into Rodrigo's Duterte bloody war on drugs and actual policy switches/divergences from previous political positions* despite Marcos Jr.'s presidential bid riding on a campaign of policy continuity of predecessor Rodrigo Duterte. The alliance (officially) collapsed this year when Sara Duterte quit Marcos' cabinet.

- Without a doubt, political woes (which is likely to be an overhang till at least May 2025) would add pressure to the PHP, in addition to a dovish BSP and mounting growth risks. Accordingly, USD/PHP could likely test 60 handle in coming weeks should there be another surge in USD strength. BSP has confirmed FX interventions, likely at 59 handle, albeit at "small amounts", but there are indications that the central bank may hold the line at a higher level as BSP Governor Remolona said USD/PHP could hit 60 levels, but in an orderly manner yesterday. Nonetheless, amid a broad USD strength environment, USD/PHP weakness should not be outsized relative to regional peers on a REER basis.

*Marco's administration had a more pro-US foreign policy, the transparency initiative to expose China's coercive grey-zone tactics in the South China Sea, and restarting peace talks with the communists.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(CH) Industrial Profits YoY (Oct)	-10.0%	--	-27.1%
(AU) CPI/Trimmed mean YoY (Oct)	2.1%/3.5%	2.3%/--	2.1%/3.2%
(PH) Budget Balance PHP (Oct)	6.3b	--	-273.3b
(US) Initial Jobless Claims	213k	215k	215k
(US) GDP Annualized QoQ (3Q S)	2.8%	2.8%	2.8%
(US) Personal Consumption (3Q S)	3.7%	3.5%	3.7%
(US) PCE/Core Deflator YoY (Oct)	2.3%/2.8%	2.3%/2.8%	2.1%/2.7%
(US) Personal Income/Spending (Oct)	0.6%/0.4%	0.3%/0.4%	0.3%/0.5%
(US) Wholesale Inventories MoM (Oct P)	0.2%	--	-0.2%
(US) Durable Goods Orders (Oct P)	0.2%	0.5%	-0.4%
(US) Durable Goods Nondef Ex Air (Oct P)	-0.2%	0.1%	0.3%
(US) MNI Chicago PMI (Nov)	40.20	45.0	41.6
Today			
(KR) BOK Base Rate	3.00%	3.25%	3.25%
(EZ) Consumer Confidence (Nov F)		--	-13.7

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	151.09	151.36	▼1.30%	149.00 - 153.00
EURUSD	1.0566	1.0562	+0.73%	1.0470 - 1.0650
GBPUSD	1.2680	1.2678	+0.88%	1.2590 - 1.2770
AUDUSD	0.6497	0.6497	+0.34%	0.6450 - 0.6540
DXY	106.1	--	▼0.87%	105.5 - 106.9
USDCNY	7.2452	--	▼0.07%	7.2300 - 7.2700
USDCNH	7.2449	7.2469	▼0.18%	7.2300 - 7.2750
USDHKD	7.7815	7.7811	▼0.02%	7.7780 - 7.7860
USDSGD	1.3404	1.3410	▼0.47%	1.3320 - 1.3510
USDKRW	1393	1391	+0.00%	1380 - 1405
USDTWD	32.54	--	+0.06%	32.30 - 32.70
USDINR	84.45	--	+0.14%	84.20 - 84.80
USDIDR	15930	--	+0.00%	15850 - 16050
USDMYR	4.444	4.443	▼0.31%	4.410 - 4.470
USDPHP	58.72	--	▼0.48%	58.30 - 59.00
USDTHB	34.59	34.52	▼0.34%	34.20 - 34.70
USDVND	25387	25389	▼0.10%	25250 - 25500

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.229	4.264	-2.8	-4.3
JGB (JP)	0.585	1.063	0.0	0.0
Bunds (GE)	2.029	2.158	1.6	-2.7
Gilts (UK)	4.301	4.294	-2.8	-5.8
AGB (AU)	3.999	4.416	-1.9	-2.9
SGS (SG)	2.812	2.803	-0.4	-1.3
CGB (CN)	1.390	2.049	-0.1	-0.3
KGB (KR)	2.880	2.827	-4.4	-2.8
SDL (IN)	6.841	6.707	-0.4	0.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	159.66	159.86	▼0.57%
GBP/JPY	191.595	191.88	▼0.43%
JPY/SGD (100yen)	0.8871	0.886	+0.84%
JPY/HKD (100yen)	5.1497	5.141	+1.30%
CNH/JPY	20.823	20.89	▼1.59%
CNH/HKD	1.0739	1.074	+0.05%
EUR/GBP	0.83328	0.83313	▼0.14%
AUD/NZD	1.1023	1.1024	▼0.67%
EUR/CNH	7.6544	7.6542	+0.54%
GBP/CNH	9.1868	9.1873	+0.71%

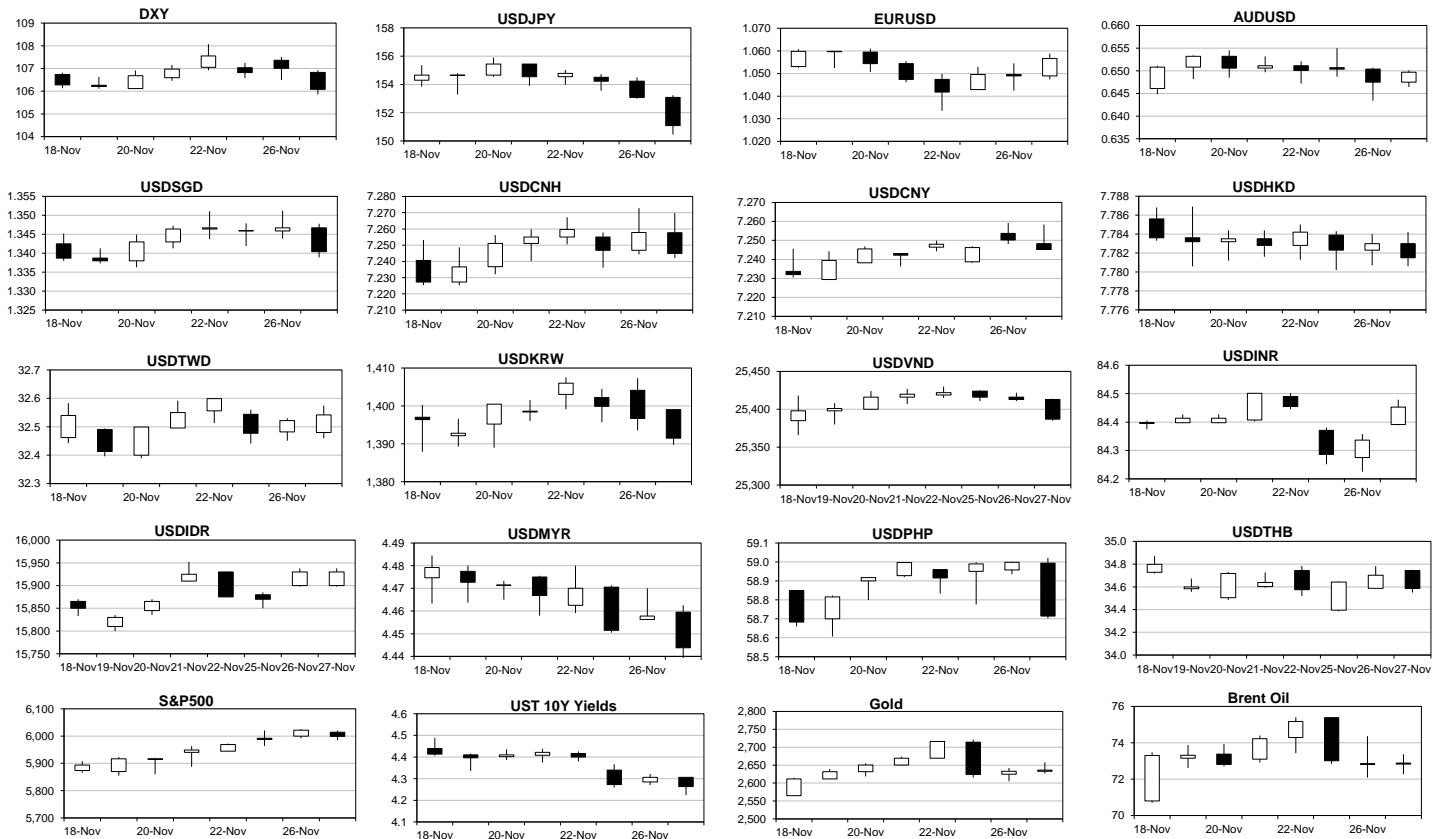
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5998.74	-22.89	▼0.38%
Nasdaq (US)	19060.48	-115.10	▼0.60%
DJIA (US)	44722.06	-138.25	▼0.31%
N225 (JP)	38134.97	-307.03	▼0.80%
STOXX50 (EU)	4733.15	-28.84	▼0.61%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4514.1	8.52	+0.19%
STI (SG)	3708.09	-4.30	▼0.12%
SHCOMP (CN)	3309.779	50.02	+1.53%
SZCOMP (CN)	1996.706	40.57	+2.07%
HSI (HK)	19603.13	443.93	+2.32%
SENSEX (IN)	80234.08	230.02	+0.29%
JSE (ID)	7245.888	0.00	+0.00%
KLSE (MY)	1604.25	1.10	+0.07%
PSE (PH)	6702.59	-104.27	▼1.53%
SET (TH)	1430.4	-7.85	▼0.55%
VNINDEX (VN)	1241.97	0.00	▼0.01%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	8,901.72	17.59	+0.20%
IRON ORE (CN)	102.40	0.60	+0.16%
GOLD	2,636.02	2.87	+0.11%
SILVER	30.10	-0.26	▼7.59%
OIL (BRENT)	72.83	0.02	+0.03%
OIL (WTI)	68.72	-0.05	▼0.07%
NATURAL GAS	3.20	-0.34	▼1.12%

CHARTS



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